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# Turkey

## Livestock and Products

### Annual

### 2003

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#### **Report Highlights:**

**Cattle numbers and beef and veal production continue to decline even though domestic demand has increased, resulting in high meat prices. Sensing opportunity, the private sector is now interested in investing in the livestock sector. Several companies recently bought about 1,000 dairy and 100 beef breeding cattle from the United States. As economic conditions in Turkey continue to improve, breeding cattle imports are expected to increase. A ban on all slaughter livestock and meat product imports remains.**

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Includes PSD changes: Yes  
Includes Trade Matrix: Yes  
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## Executive Summary

The Livestock sector is traditionally important in Turkey as meat is an important part of the local diet. Lamb has been the traditional preference which is still true in rural areas. In the urban areas, however, beef and poultry are preferred now. In recent years, per capita meat consumption decreased in Turkey due to high meat prices, the recent economic crisis and food safety concerns such as BSE in Europe. Meat production continues to decline even though the population continues to increase and there is demand from the growing tourism sector. Demand should increase marginally in 2004, however there is more room for growth once production increases and prices fall. Due to signs that the economy is improving, an increase in seasonal demand, and signs that the tourism sector is picking up again, meat prices increased significantly since March 2003. Due to limited production capacity and a production lag, beef prices experienced the highest increases. The poultry sector, which grew significantly over the past twenty years, is absorbing this unfulfilled demand.

The new GOT announced a support program for the livestock sector by a notification published in the Official Gazette on June 8, 2003. As discussed in the policy section in detail, this policy includes support for; fodder crop production, pregnant heifer procurement, artificial insemination, milk production and disease free dairy livestock production. The total amount of the support was announced as TL 176 trillion (about USD 125 million).

Increased demand for meat and the GOT support measures have encouraged investors who are attracted to the livestock sector. Most investors are interested in investing in the dairy sector due to regular returns that allow them to finance the debt. Four investors already signed contracts to buy U.S. dairy and beef breeding cattle. Several other investors are still conducting market research or are in the process of completing their facilities.

There are no duties on breeding cattle imports. Even though duties have been slightly reduced from 138 percent to 136.5 percent for feeder and slaughter cattle and from 230 percent to 227.5 percent for beef and veal, import licenses are only available for breeding cattle. The Turkish government does not permit the importation of any beef or veal as a way of protecting its domestic industry despite demand for high-quality beef, particularly in the tourism industry.

Livestock statistics are the subject of much debate in Turkey, although the declining trend in herd size is clear. It is generally assumed that official statistics (registered slaughter from the large commercial processing facilities) account for about 70 percent of total production, while 30 percent of production is unreported. Beef and veal production statistics are equally uncertain. Production estimates used in this report are based on the above assumptions.

(The exchange rate as of 8/21/03 USD 1.00 = TL 1,400,000 compared to the rate a year ago on 9/16/02 USD 1.00 = TL 1,675,000)

## Production

Traditionally, the livestock sector is important in Turkey since meat is an important part of the diet. Lamb is still preferred in rural areas. However, in urban areas beef and poultry are preferred and are more widely available. Per capita meat consumption has declined in Turkey due to high meat prices, the recent economic crisis, and food safety concerns. Meat production has declined parallel to the number of animals, even though the population continues to increase, consumption patterns are changing and there is insatiable demand from the tourism sector.

The poultry sector, which is also protected from imports, has benefitted from consumption trends and high meat prices. The depreciation of the Turkish Lira due to the economic crisis increased the cost of poultry production significantly in 2001 and 2002. Thus, the poultry sector also had problems since the primary cost component of the production was from imported feed. Some large poultry producers went bankrupt. Surviving companies are benefitting from the currently-high meat prices, but remain vulnerable over-production and to economic shocks which may affect consumption and input prices.

After the short Iraq war, the tourism sector is rebounding quickly. The economy is showing signs of growth and meat demand is increasing. As a result of this, meat prices increased significantly since March 2003. Since Turkey has excess capacity in the poultry sector, this sector has enjoyed these prices and demand. On the other hand, the situation is different in the beef sector due to limited production capacity and its inability to respond quickly to market conditions. Thus, beef prices rose significantly.

Because of the high beef prices, McDonald's started operating two feedlots to produce their own needs in Turkey. Koc Group, one of the largest industrial groups in the country, and Ata Group, which operates Burger King chains in Turkey, established a joint venture for a dairy and beef farm in the GAP (Southeastern Anatolia) Region and started to produce milk and meat. The news about these operations has attracted other entrepreneurs.

Despite high beef prices, most of the investors have focused on the dairy sector. There are several reasons for investors to prefer investing in the dairy sector over the beef sector. First of all, the GOT is allowing only imports of breeding cattle for both dairy and beef breeds. The GOT requires importers not to sell imported breeding cattle for a minimum of five years. This requires a higher investment and operation costs and a longer period to recover those costs for beef breeds than for dairy breeds. Feed costs are very high since natural pastures and meadows are very scarce, especially in the western regions where the livestock sector is better developed. The eastern regions, which have better natural pastures and meadows, are poor in capital, processing facilities, and infrastructure, such as transportation. On the other hand, dairy breeds can produce milk and income at least to cover the operation costs during the initial investment period.

Further, high quality beef does not necessarily receive a significantly higher price, because beef breeds are not well known in Turkey. Only a few specialized restaurants and hotels in the major cities and tourist centers are willing to pay the premium for the quality of meat.

On the other hand, milk prices farmers received are also currently high for large size producers, which receive premiums from both the government and processors and can also supply consistent quantities. Well-established commercial farms are currently receiving a farm gate price of approximately TL 500,000 per liter of milk (including all premiums) which is about USD 0.35 or USD 0.39 per liter (or approximately USD 0.17 per lbs.).

Animal nutrition in Turkey is generally poor. Unless fed in commercial feedlots (most livestock are not), rations often are inadequate and expensive. Most livestock generally are grazed on public lands on a first-come first-serve basis and provided with little or no additional supplements. Supplemental feeding of forages is limited because government production policy favors field crop production. Because grazing is unregulated, public lands tend to be severely over grazed which only further aggravates the problem. In recent years there has been a trend toward raising cattle in open-air commercial feedlots in western Turkey.

A new government was elected last November. The new GOT published a notification in the Official Gazette on June 8, 2003 and announced several support programs and/or increased existing support programs to the livestock sector. Details of these support programs are provided in the Production Policy Section.

The Turkish livestock industry continues to face a combination of challenges. The uncontrolled movements of animals in Turkey, especially during the Eid Holiday, have created many problems and contributed to the spread of diseases. Also, efforts to support crop production have resulted in domestic grain prices which are considerably above the world market prices. Subsequently, feed costs are extremely high. In the past, Turkey's import policy did not encourage the introduction of new technology since imported cattle were given to small farmers who did not have the ability to manage these cattle. As a result, the industry has been slow to modernize. The Turkish government does not permit the importation of any beef or veal as a way of protecting its domestic industry despite demand for high-quality beef, particularly from the tourism industry.

A total of twenty-two state farms (out of the total of thirty-eight) was announced to be privatized through joint ventures with domestic private industry over the past three years, although progress has been very slow primarily due to legal arrangements of the state farms for privatization and economic crisis.

The U.S. Trade and Development Agency has awarded a grant to conduct a feasibility study for the development of the American beef farming model in Turkey. This study will focus on the development of one of the large state farms for beef production. An American company signed a letter of intent with a local company to carry out this feasibility study. This study should determine the constraints and opportunities faced by the beef sector in Turkey. If determined to be feasible, the project aims to import 5,000 breeding cattle in the initial phase. Since September 1999, only about 5,000 breeding cattle have been imported in Turkey.

The General Directorate of Organization and Support Services of MARA continues to provide support to Village Development Cooperatives (VDCs) for buying and distributing dairy and/or dual purpose breeding cattle, such as Holstein Friesian, Brown Swiss or Simmenthal. The VDCs have been procuring heifers only from local sources, mainly from the members of the Turkish National Breeders Association. The number of heifers procured was very limited in the past due to the lack of financial resources.

Although government-run state farms were designed to serve as models for dairy production, using modern production techniques and high energy and protein feed mixes, they account for less than one percent of the total dairy population and negligible quantity of total dairy production.

## Consumption

According to the 2000 census, more than 65 percent of Turkey's population is living in urban areas. Meat consumption has shifted over time from lamb, mutton, and goat to greater consumption of beef, veal and poultry due to changing tastes and costs. Domestic beef consumption did not increase in recent years because of reduced animal supply, a high rate of inflation, increased beef prices, low incomes, and the BSE outbreak in Europe.

Most of Turkey's commercial slaughter houses and packing plants are now privately owned. The Meat and Fish Corporation (EBK), which was a major player in the market in the past but now handles less than 5 percent of production, is the only remaining public sector company in the livestock sector. Most of EBK's plants have been privatized with the remaining expected to be privatized in the near future.

Total beef consumption is expected to increase marginally in 2004 and remain relatively flat in the near future. Due to the limited supply, beef and veal prices increased significantly in recent years. Carcass meat prices went from TL 4 million per kg. in August 2002 to TL 7 million per kg. in August 2003. The retail prices of deboned beef are about TL 11,000,000 (about USD 7.85) per kg, chopped beef are about TL 13,500,000 (about USD 9.65) per kg, and tenderloin and other higher grades of beef are TL 17,000,000 (about USD 12.15) and higher in the retail market in Ankara. A year ago, these prices were about TL 7,500,000 (about USD 4.60), TL 9,500,000 (about USD 5.80), and TL 12,000,000 (about USD 7.35), respectively. Price increases are more distinguished in USD terms because Turkish Lira is appreciated against USD by about 16 percent during the last twelve months.

## Trade

Prior to the economic crisis, investments in the livestock sector appeared promising, and a couple of new dairy farms, with European cattle, were opened. Historically, Germany was the most significant supplier of breeding cattle to Turkey. After the BSE outbreak, MARA banned imports of all livestock from all European countries. This provided a potential opportunity to U.S. suppliers, but as a result of the economic crisis, many companies were unable to raise the necessary capital. Most put their projects on hold until the current economic downturn is reversed. High prices for U.S. cattle and the depreciation of the Turkish Lira contributed to the problem. Also, in order to make the shipments economical, large numbers of U.S. cattle would need to be shipped to reduce ocean transport costs. Unfortunately, most Turkish companies can only afford smaller shipments. However, there have been some interests by several Turkish companies to import cattle from the United States recently. Several Turkish companies signed contracts to buy a total of about 1,000 head of dairy breeding cattle. More are interested. The GSM-103 export credit guarantee program is also available to help finance U.S. breeding cattle exports. It is anticipated that imports from the United States will continue in the near future since there is a feeling of improved economic conditions in Turkey.

## Stocks

Stock levels are limited because of the Turkish preference for fresh meat. Official statistics are not available.

## Policy

### Production Policy

A notification, which was published by MARA in the Official Gazette on June 8, 2003, explained the support program that would be provided to the livestock sector. The program is valued at about TL 176 trillion (USD 125 million). The program includes support for fodder crop production, pregnant heifer procurement, artificial

insemination, milk production, and disease free dairy livestock production.

Under the program, those farmers who used to produce sugar beets and tobacco, and decide to produce fodder crops will be given a privilege for the support, provided that they are already registered farmers. The amounts of support are 35 percent of the operation cost and 30 percent of the machinery procurement cost for multi-year fodder crops, such as alfalfa. The level of support is 20 percent both for the operation cost and machinery procurement for one year fodder crops, such as corn for silage, vetch, sainfoin, fodder beets, etc.

The GOT also will support farmers' pregnant heifer procurement (the ages must be in between 15 and 27 months) up to 100,000 head. The amount of support is 30 percent of the animal cost for pedigreed purebred cattle and 15 percent for non pedigreed purebred cattle.

Artificial insemination of up to 10 million heifers and cows will be supported. The amount of support is 50 percent of the A.I. cost for pedigreed cattle in the less developed areas and 25 percent of the A.I. cost in other areas and/or for the non-pedigreed cattle. Calves, provided that they are born with A.I., will be supported by TL 40,000,000 if their mothers are pedigreed and by TL 20,000,000 if they are not.

Milk producers will be supported if they sell their milk to modern and hygienic processing facilities by TL 40,000 per liter if the cows are pedigreed or by TL 20,000 per liter if they are not.

Farmers who are located in Thrace (in Edirne, Tekirdag and Kirklareli provinces and European sides of Istanbul and Canakkale provinces) with minimum 25 head cattle ownership will be supported if they have not had the brucellosis since 2001 and tuberculosis since 2002 on their farm.

The GOT also continues to provide funds to the Village Development Cooperatives (VDCs) to support tenders for dairy and/or dual purpose breeding cattle. Currently very few VDCs are procuring cattle because of limited financial resources. VDCs generally purchase cattle locally from members of the Turkish National Breeders Association.

### **Trade Policy**

The GOT has historically protected the development of domestic meat and dairy sectors by maintaining non-tariff barriers and very high duties on imports of meat and dairy products. Turkey has an effective ban on all meat products as there are no regulations established for importing meat and meat products and Turkey does not issue import licenses for these products. Turkey charges much lower duties on inputs that it considers as vital to these industries, such as breeding cattle and genetics which have zero duties.

The EU and Turkey implemented a bilateral agreement in May 1998 under which Turkey would provide the EU with improved access for cattle, beef and dairy products. Under the agreement, Turkey provided the EU with permanent zero duty access for breeding cattle, a 19,000 MT beef tariff-rate quota at an eventual duty of 42 percent, and small tariff rate quotas for various dairy products. However, under pressure from Turkish private sectors, and due to the outbreak of BSE, MARA has refused to issue the import permits. The EU has retaliated by not honoring its TRQ with Turkey for tomato paste. Observers believe that this is one of many concessions that Turkey will have to make to gain full membership in the European Union.

Turkey had also signed, but not implemented, trade agreements with Romania (1,000 MT reduced duty TRQ for beef and 5,500 head reduced duty TRQ for feeder cattle) and Hungary (500 MT TRQ for beef and 4,000

head TRQ for feeder cattle).

Only slaughter male or infertile female cattle (local breeds weighing an average of 225 kilograms and crossbreeds weighing an average of 300 kilograms) may be exported any time with an export license from MARA.

The official import duties for breeding, feeder, and slaughter cattle and beef, as announced in 2003 Tariff Regime, follow:

<b>Tariff Number</b>	<b>Product Description</b>	<b>Import Duty</b>	<b>Other Information</b>
0102.10	Breeding cattle	0	For all origins
0102.90	Feeder and slaughter cattle	136.5 % of the CIF value	The rate is 70 % for Lithuania and 115 % for Estonia.
0201 & 0202	Fresh, chilled or frozen bovine meat	227.5 % of the CIF value	The rate is 200 % for Estonia.

Official import duties for feeder and slaughter cattle and beef were reduced slightly in 2003, however, no permits were issued since these imports are banned.

## Marketing

The breeding cattle import ban was removed in 1999 and large farmers and producers became eligible for breeding cattle imports. If the economy improves and the GOT provides funding, market opportunities for cattle, genetics and feed would greatly improve.

There are no specialized beef breeds in Turkey, but the demand for high quality beef is growing because of the growing tourism sector. Under the Quality Samples Program, three years ago, three U.S. beef breeds were introduced in Turkey. The same company that received the QSP cattle recently bought 100 head of breeding Angus cattle (pregnant heifers).

The FY 2003 GSM-103 program for Turkey was originally announced at USD 2 million, but later was increased to USD 4 million with the growing interest to import breeding cattle. Turks are generally familiar with the quality of U.S. cattle and growing numbers of producers are becoming interested in U.S. livestock, not only because of their genetic superiority but also due to concern over BSE in Europe.

In the past, U.S. cattle exporters and associations were active in promoting sales of U.S. cattle to Turkey, although there have been fewer visits in recent years. The U.S. Grains Council, American Soybean Association, and National Renderers' Association organize feeding seminars and training programs which assist the livestock sector. The Cochran program also funds short-term training opportunities for the sector. Turkish officials and importers are interested in visiting livestock producers and farms in the United States.

## Statistical Tables

**PS&D Table for Animal Numbers, Cattle**

PSD Table						
Country	Turkey					
Commodity	Animal Numbers, Cattle				(1000 HEAD)	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2002		01/2003		01/2004
Total Cattle Beg. Stks	11200	11200	11000	10950	10900	10700
Dairy Cows Beg. Stocks	4050	4050	4000	3950	0	3900
Beef Cows Beg. Stocks	3150	3150	3100	3100	0	3000
Production (Calf Crop)	4100	4100	4050	4000	0	3900
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	1	0	3
TOTAL Imports	0	0	0	1	0	3
TOTAL SUPPLY	15300	15300	15050	14951	10900	14603
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Cow Slaughter	0	0	0	0	0	0
Calf Slaughter	2050	2100	2000	2050	0	2000
Other Slaughter	2000	2050	1950	2000	0	1950
Total Slaughter	4050	4150	3950	4050	0	3950
Loss	250	200	200	201	0	153
Ending Inventories	11000	10950	10900	10700	0	10500
TOTAL DISTRIBUTION	15300	15300	15050	14951	0	14603
Calendar Yr. Imp. from U.S.	0	0	0	1	0	3
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

**PS&D Table for Meat, Beef and Veal**

PSD Table						
Country	Turkey					
Commodity	Meat, Beef and Veal				(1000 MT CWE)	(1000 HEAD)
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2002		01/2003		01/2004
Slaughter (Reference)	4050	4150	3950	4050	0	3950
Beginning Stocks	47	47	37	53	17	48
Production	630	646	620	635	0	625
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	677	693	657	688	17	673
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Dom. Consumption	640	640	640	640	0	645
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	640	640	640	640	0	645
Ending Stocks	37	53	17	48	0	28
TOTAL DISTRIBUTION	677	693	657	688	0	673
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

**Import Trade Matrix for Cattle**

Import Trade Matrix			
Country	Turkey		
Commodity	Animal Numbers, Cattle		
Time period	Jan. - Dec.	Units:	Head
Imports for:	2002	Jan. - May	2003
U.S.		U.S.	
Others		Others	
Total for Others	0		0
Others not Listed			
Grand Total	0		0

**Export Trade Matrix for Cattle**

Export Trade Matrix			
Country	Turkey		
Commodity	Animal Numbers, Cattle		
Time period	Jan. - Dec.	Units:	Head
Exports for:	2002	Jan. - May	2003
U.S.		U.S.	
Others		Others	
Lebanon	279		
Total for Others	279		0
Others not Listed			
Grand Total	279		0

**Import Trade Matrix for Beef and Veal**

Import Trade Matrix			
Country	Turkey		
Commodity	Meat, Beef and Veal		
Time period	Jan. - Dec.	Units:	Metric Tons
Imports for:	2002	Jan. - May	2003
U.S.		U.S.	
Others		Others	
Total for Others	0		0
Others not Listed			
Grand Total	0		0

**Export Trade Matrix for Beef and Veal**

Export Trade Matrix			
Country	Turkey		
Commodity	Meat, Beef and Veal		
Time period	Jan. - Dec.	Units:	Metric Tons
Exports for:	2002	Jan. - May	2003
U.S.		U.S.	
Others		Others	
		Macedonia	13
Total for Others	0		13
Others not Listed	3		
Grand Total	3		13